

By-Wallen, John L.

Appendix V. Charting the Decision-Making Structure of an Organization.

Northwest Regional Educational Lab., Portland, Oreg.

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This appendix contains instructions in how to chart the decisionmaking structure of an organization. Included is discussion of the Line of Delegation or Accountability, a code for indicating the kinds of influence any position may exercise in relation to a decision, description with illustrations of the form of the chart, a list of the steps involved in constructing the chart, and general comments in answer to six common questions: (1) How does the decisionmaking structure relate to a delegation chart? (2) Does the chart show how much authority a position has? (3) Why aren't some positions called "staff" and some called "line"? (4) How does a position guide relate to the decisionmaking structure? (5) Does a chart of the decisionmaking structure really solve the problems of overlapping authority or of gaps in authority? (6) Won't consulting with others be quite costly and time-consuming? This document and SP 002 155-SP 002 180 comprise the appendixes for the ComField Model Teacher Education Program Specifications in SP 002 154. (JS)

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**APPENDIX V--CHARTING THE DECISION-MAKING STRUCTURE
OF AN ORGANIZATION**

John L. Wallen

**U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
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**Submitted for a Consortium of
Institutions and Agencies by the
Northwest Regional Educational Laboratory
400 Lindsay Building
710 S. W. Second Avenue
Portland, Oregon 97204**

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CHARTING THE DECISION-MAKING STRUCTURE OF AN ORGANIZATION

John L. Wallen

One way of describing the structure of an industrial organization is to chart a line of delegation. Theoretically, each manager is responsible for more work than he can personally do. Therefore, he delegates subsections of his responsibilities to others who are then said to report to him. If we consider this network from the center (Chief Administrative Officer) and move to the periphery of the organization, then this outer direction would be called the "Line of Delegation." If we reverse our attention and consider the relation between the subordinate and the person who delegates to him, we then call the same network the "Line of Accountability."

The Line of Delegation/Accountability is referred to by many organizations as the "Chain of Command." In some organizations it is known as the In-Line Structure. Nearly all social scientists who have studied organizations recognize that the In-Line Structure is a normative fiction. It does not describe what exists, but what managers think ought to exist. Any management text demonstrates this by discussing the "formal organization" as different from the "informal organization." Observations may show that most people in an organization have work delegated to them from many different sources and not just from one. Similarly, while official accountability is a feeling of obligation for the accomplishment of work delegated to one by one's manager, most people also feel accountable to others in the organization for whom they provide service.

The seemingly straightforward concept, then, of the Line of Delegation or the Chain of Command turns out, in fact, to be a tremendously over-simplified picture of organizational structure. This over-simplification, however, does relatively little damage until the Line of Delegation is confused with the communication pattern in the organization. At this point the tendency develops to restrict interaction and communication to the Line of Delegation. "Going through channels" or "staying in the line" begins to become excessively emphasized. Rather than focusing upon who needs to be involved in solving a problem, the emphasis is on whether it is proper or improper to communicate with the person. Peter Drucker points out that going through channels is not just a symptom of organizational difficulty, it is the basic cause of it. It results in isolation.

Thus, the attempt to use the Line of Delegation as a communication pattern gives rise to a situation where each of a number of people has part of the information needed to solve a problem, but no person has or is able to get a total overview. Furthermore, the isolation of the various persons from each other means that each also has much misinformation and this further complicates the process of arriving at decisions that are in the best interest of the firm and of the individuals.

A further complication to the problem is that human beings have feeling about those with whom they work. All decisions are not made with full knowledge of all the facts and with all the assumptions spelled out. One of the favorite ways people explain the actions of others is in terms of the other person's motivation. As people become more isolated from each other and have access to less and less information in common, the tendency increases to interpret actions as evidences of plots and counter-plots, political maneuvers, etc. If what is really lack of coordination is seen as deliberately intended by somebody else, obviously that somebody else will be suspected of having harmful or destructive intentions toward you. And thus, the emphasis on "going through channels" results in an increase of distrust and suspicion which further increases the isolation and problems of coordination.

Although the Line of Delegation/Accountability is only one kind of description of organizational structure, most people refer to a printed statement of it as "the organizational chart" or "the organizational structure." In fact, however, organizational structure may be described in relation to many different concerns. For example, organizational structure can be described in relation to the amount of influence and kind of participation each organizational position has in relation to various decisions. This may be called the Decision-Making Structure of the organization.

The following chart shows the kinds of influence any position may exercise in relation to a decision.

Code

Kinds of influence

Blank = may recommend or suggest. In a healthy organization, it should be understood that any person may make recommendations to the person who can authorize action. Because this is assumed for all positions, the cell in the chart is left blank.

I = must be informed. "I" means the position needs to know the result of a decision so that appropriate coordinating action can be taken. The "I" usually shows that a position will be affected by a decision, or that they will have to implement it.

C = must be consulted. The position must be given opportunity to influence the process of arriving at a decision by presenting information, demonstration or proof. A "C" position is limited to persuasion in influencing the decision. The "C" position should be consulted early enough in the process that his information can genuinely make a difference in the final decision.

A = approval must be secured. The position must be consulted and, in addition, may veto a proposed decision. Obviously, early participation of "A" is desirable because consultation earlier may make a veto in the final stages unnecessary. If an "A" position approves a proposal, this is a recommendation for the course of action. That is, the action may be taken but it does not have to be. If an "A" position disapproves, the proposal cannot be put into effect and must be altered to gain approval.

Z = may authorize. To authorize is to issue a directive that triggers action. "Z" positions are held accountable for:

1. Initiating proposals.
2. Coordinating, i.e., insuring that "A" and "C" positions participate.
3. Insuring that "I" positions are informed of the decisions.
4. Issuing directive that triggers the carrying out of the decision.

A Decision Structure Chart cannot be successfully imposed on an organization by command. It should be developed by the people who will have to work together. Thus, the chart represents a statement of agreement among the various positions.

Note that whereas any position may make recommendations, the "Z" position is expected to. If needed changes are not proposed, coordinated, and authorized by "Z", he has failed to fulfill his responsibilities. Obviously it is to "Z's" benefit to develop a working relation with other positions that welcomes, encourages, and increases the probability that others will propose changes that are improvements.

Approval from "A" means that a decision may be carried out. Authorization from "Z" means that the decision must be carried out.

Form of Chart

In the Decision Structure Chart the positions (decision makers) are listed at the heads of the columns. The row heads list various decisions. In a cell formed by the intersection of a position (column) and a decision (row) a code symbol shows how that position participates in that decision.

Sample 1: Decision Structure Chart

<u>Decisions</u>	<u>Standards Production Data</u>		
	<u>Dept.</u>	<u>Dept.</u>	<u>Systems</u>
1. To decide on production methods - pilot phase	Z	A	I
2. To change production methods - production phase	C	Z	I
3. Change labor standards	I	Z	I

Sample 1:

If one department may authorize and the other may veto, a negotiating relationship is established in which both parties must be satisfied. An "AZ" relation occurs between the Standards Department and the Production Department on Decision 1. This shows that the organization wanted to be sure that considerations of efficiency, value analysis, etc., were represented by the Standards Department, but that realistic production techniques and capabilities were represented by the Production Department. The best decision, then, would be one that the two departments agreed on.

Note that on Decision 1, the Production Department is in a staff relation to the Standards Department because only the latter can authorize the methods of production. However, on Decision 2, the relation is reversed and the Standards Department is providing consultative services to the Production Department.

Sample 2: Decision Structure Chart

<u>Decisions</u>	<u>General Manager</u>	<u>Standards Department</u>	<u>Production Department A</u>	<u>Production Department B</u>
4. Purchase capital equipment up to \$5,000	I	Z (self) C (others)	Z	Z
5. Purchase capital equipment over \$5,000	Z	A (self) C (others)	A	A
5a. Decide what kind and how urgent the need		Z (self) C (others)	Z	Z
5b. Decide whether to buy	Z	I	I	I

Sample 2:

This chart shows some interrelations under the responsibility of the General Manager. Thus, the chart shows the relations between the General Manager's Office and those to whom he has delegated. Decision 4 illustrates that each department may authorize its own purchases up to \$5,000, but departments A and B must consult with the Standards Department.

The purchase of capital equipment costing more than \$5,000 can only be authorized by the General Manager (Decision 5). However the A under the various departments shows that the General Manager will not purchase equipment that they do not want or agree to. The codes opposite Decision 5 are really a shortened form for

the two decisions shown opposite 5a and 5b. The departments have final authorization of what kind of equipment they need and how urgently they need it. However, the General Manager has the final authorization as to whether it shall be purchased. This agreement recognizes that the needs of the departments may be only one factor that the General Manager must take into account when deciding whether to buy equipment.

Can a subordinate have the power to authorize (Z) when his manager has the right to veto (A)? Such a relation suggests that the manager is unwilling to delegate fully. When a manager retains veto power, the subordinate will usually feel he should not be held accountable for the results achieved. If he is held accountable, he will probably feel resentment and frustration because he is being judged by results that follow from his manager's actions. If a subordinate is not yet ready for full delegation, it would be better for his manager to retain the Z and allow the subordinate to have a C or an A (as in example of Decision 5 above.)

Rather than retaining the right to veto decisions of a subordinate, a manager will usually find a better relationship develops if he spends time determining proper operating limits within which the subordinate has freedom to authorize. In this way, the subordinate can see the effects of decisions that he more clearly views as his decisions. He gets his chance to make mistakes and to learn from them. As he shows that he can handle more responsibility, the operating limits can be widened.

Sample 3: Decision Structure Chart

<u>Decisions</u>	<u>Production Department</u>	<u>Employment Department</u>
6. Decide on qualifications required for jobs in his department	Z	C
7. Decide methods of determining an applicant's qualifications	I	Z
8. Hire personnel for specific jobs	Z	A

Sample 3:

This section of a chart shows the relation between a supporting service (Employment) and a Production Department. The codes indicate that the Production Department authorizes the qualifications expected of applicants. In setting these qualifications they consult with the Employment Department.

Next, the Employment Department decides how they will determine what qualifications an applicant possesses. They decide what shall be covered in interviews, what kinds of tests, what kinds of reference checks, etc. The Employment Department informs the Production Department of their procedures so that the Production Managers know how to interpret information from Employment.

The final hiring is authorized by the Production Managers. The A under Employment Department indicates that they have already screened out unsuitable candidates before sending applicants to the Production Department.

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Method of Constructing the Chart

People who must coordinate their activities should work out their own decision-making structure chart. The session should result in each being clear about his own role in relation to the others. In addition, each should have a clearer understanding of the network of interrelations in the decision-making process.

A chart may be made showing the decision-making structure of a work unit, such as a department, or it may show the structure of a number of work units that interrelate.

In the usual case, a manager will work out a decision-making structure chart with his immediate subordinates.

The steps in constructing the chart would be as follows:

- a. Decide what area of decision-making you plan to chart. Some areas are the following:
 1. Decisions about personnel and personnel practices, wages, etc.
 2. Decisions about purchasing, capital equipment expenditure, etc.

3. Decisions about planning activities, scheduling, forecasting, etc.
 4. Decisions about product standards, specifications, processes, etc.
 5. Decisions about training, communications, etc.
 6. Decisions about credit policies, billing, etc.
 7. Decisions about new products, research emphases, etc.
- b. The group determines the key decisions they wish to chart in that area. Usually they will start the decisions that are causing trouble because the decision points are unclear : they may use a form of functional flow analysis to locate the decision point.

What is a decision point? All work follows some guidelines (criteria or principles) whether these are explicitly stated or not. Some set of priorities determines which order will be filled first, which piece of equipment will be purchased. Some unstated or stated criteria determine whether additional personnel are hired, whether overtime is worked, whether a person is granted vacation time in advance. A decision point concerns how such criteria or guides are arrived at.

Here is an example. "Commits finished instruments to orders." If we ask who does this, we might be told Clerk A does. But this is the implementation of a decision, not the point at which the decision was made. How does Clerk A know which orders to fill and which to delay? He has certain guides, for example that military orders should be handled one way and civilian another. Who sets up the guides he uses to make the commitments? The answer to this question is the decision point. So the heading for this decision might read, "Establishes criteria for committing finished instruments to orders."

The decisions the group wishes to structure should be listed down the left-hand column. Each one titles the row to its right.

Examples: Here are some decision points that were identified in mapping the relation of instrument design, marketing, production, quality assurance, materials management, and data systems in the task of maintaining quality.

-Decides performance goals for new instruments.
-Sets performance specifications for prototype instruments.

-Sets specifications for parts purchased from outside vendors.
 -Sets specifications for parts produced in plant.
 -Decides whether various specifications are consistent.
 -Decides on conformance of purchased parts to performance and design specifications.
 -Decides on adequacy of evaluation methods being used by inplant production.
 -Decides what changes will be made in methods of evaluation.
- c. The top-most row contains the names of the positions-- departments or other operating units in the decision-making structure. Each one titles the column below it.
 - d. The group now decides how each position participates in each decision. Obviously, this requires much discussion to make sure that each participant has expressed his concern and has understood others.
 - e. The chart merely represents the agreements reached in discussion. Obviously, all decision points will not be discovered in one discussion. The chart, hence, needs to grow as the group discovers decisions they have overlooked. Over a period of months, thus, a group will evolve an increasingly more complete summary of their decision-making structure. As conditions change and the decision-making process shifts, the chart should be changed to reflect it.

General Comments

1. How does decision-making structure relate to a delegation chart?

A "Z" position, one that can authorize action, is the position held accountable.

Secondly, when two departments who have an "AZ" or negotiating relation cannot agree on a decision and a stalemate results, the arbiter is the person (or persons) on the delegation chart to whom the disputing departments report. In sample chart 1, if the Standards Department and the Production Department could not agree on production methods for a pilot run, the General Manager (to whom both are accountable) would resolve the conflict.

2. Does the chart show how much authority a position has?
Yes, by showing exactly what decisions a manager may authorize. The authority of a position consists of the actions that can be authorized by the position. Supervisor A has more authority than Supervisor B because A can hire, fire, grant wage increases, determine the size of his crew, and authorize overtime, while B can only recommend to his work leader.

Positional authority is always over the work process, not over people. If one position is given a "Z" for a certain decision point, and another has an "A", this does not mean the "Z" position is superior to, has higher status than, or has authority over the other position. The "Z" means the position is the logical point to propose, coordinate opinions, and initiate action and to be held accountable for the results of the action.

3. Why aren't some positions called "staff" and some called "line"? The staff-line distinction was never based upon what managers do, but upon what they were ideally supposed to do. The concept was too simple to fit reality. In reality, each department may authorize some activities, approve or veto others, and provide consultation on others. The relation between two departments depends on what decision is being made.

The staff-line distinction is not used in charting the decision-making structure because it is not helpful. The question is not "Which department is staff and which is line?", but rather, "What kind of influence and participation does each department have on each of the specific decisions listed?"

4. How does a position guide relate to the decision-making structure? The decisions in which a position participates, whether with a Z and A, or a C, would be listed as part of the responsibilities of the position. Some samples of the way decisions might be listed in a position guide would be as follows:

-To decide on the best production methods during Pilot Phase (subject to approval of the production departments).
-To provide consultation on the value factors associated with changes in production methods for parts in Production Phase.

-To authorize the purchase of capital equipment (up to \$5,000) needed to make possible the most efficient service by the Standards Department.
-To provide consultation aimed at enabling production departments to purchase the most effective equipment for their needs.

Obviously a position guide for an individual position will include much more than the decisions that fall within its scope. Any department manager must carry out many responsibilities according to decisions made elsewhere in the organization. These would show on a position guide, but not on a decision-making chart that includes the department itself.

5. Does a chart of the decision-making structure really solve the problems of overlapping authority or of gaps in authority? No. The chart solves nothing. The discussion needed to construct the chart is what points up and helps to resolve problems. The chart is merely the report of the agreements made. The test is what the people who agreed on the structure actually do subsequently.
6. Won't consulting with others be quite costly and time consuming? That depends upon how effectively the people use each other as consultants.

The purpose of listing the agreements to consult is so that people will see how they participate in the decision-making structure. Obviously, a position will not always wish to be consulted to the same degree in every decision just because he has a "C". The "Z" position is expected to use judgement as to when a phone call will suffice and when a fuller presentation with designs, facts, and objectives may be essential.

As the code definitions point out, unless consultation occurs early in the formulation of a problem and the search for a decision, the "C" and "A" positions are not really being allowed to participate. If consultation does occur early, probably less total time will be required.

In most problem situations, people spend more time trying to resolve problems after decisions have been made than would have been necessary if they had solicited wider participation earlier and throughout the process.

The resulting decision will be sounder and, hence, more justifiable; it will also be better accepted. The end result is increased stability and, probably, a saving of time overall.